Habitat for Humanity®
of Washington, D.C. & Northern Virginia

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022)

HABITAT FOR HUMANITY OF WASHINGTON, D.C.
AND NORTHERN VIRGINIA, INC.

CONTENTS

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Habitat for Humanity of Washington, D.C. and Northern Virginia, Inc.

Opinion

We have audited the financial statements of Habitat for Humanity of Washington, D.C. and Northern Virginia, Inc. (Habitat DC-NOVA), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Habitat DC-NOVA as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Habitat DC-NOVA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Correction of Error

As discussed in Note 18 to the financial statements, certain errors resulting in understatement of amounts previously reported for construction in progress and contributed nonfinancial assets as of and during the year ended June 30, 2022, were discovered by management during the current year. Accordingly, an adjustment has been made to net assets as of June 30, 2022 to correct the error. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat DC-NOVA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Marcum LLP / 1899 L Street, NW / Suite 850 / Washington, DC 20036 / **Phone** 202.227.4000 / **marcumllp.com**

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Habitat DC-NOVA's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat DC-NOVA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matter

Report on Summarized Comparative Information

We have previously audited Habitat DC-NOVA's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 14, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Washington, DC
February 26, 2024

HABITAT FOR HUMANITY OF WASHINGTON, D.C. AND NORTHERN VIRGINIA, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2022)

	2023	(As restated) 2022
Assets		
Current assets		
Cash and cash equivalents – unrestricted	$ 3,454,652	$ 4,759,759
Cash and cash equivalents – restricted	966,758	2,535,247
Accounts receivable and other current assets	316,224	415,764
Grants and pledges receivable	495,474	175,108
Investments	1,153,995	--
Mortgages receivable, current portion	373,934	385,480
Accrued interest on note receivable	252,420	216,093
Donated inventory	110,435	106,687
Construction in progress	8,215,435	4,686,189
Total Current Assets	15,339,327	13,280,327
Mortgages receivable, net of current portion	2,971,199	3,238,626
Note receivable	593,000	593,000
Property and equipment, net	324,745	328,111
Right of use asset – operating	6,822,338	--
Investment in joint venture	343,563	419,523
Total Assets	$ 26,394,172	$ 17,859,587
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	$ 574,831	$ 417,462
Line of credit	1,015,350	1,390,350
Deposits and escrows payable	226,252	211,358
Other current liabilities	14,844	16,761
Deferred rent	--	72,843
Operating lease liability, current portion	819,870	--
Notes payable, current portion	673,805	774,259
Total Current Liabilities	3,324,952	2,883,033
Deferred rent, net of current portion	--	279,798
Operating lease liability, net of current portion	6,354,597	--
Notes payable, net of current portion	5,804,215	5,246,015
Total Liabilities	15,483,764	8,408,846
Net Assets		
Net assets without donor restrictions	10,560,914	9,185,928
Net assets with donor restrictions	349,494	264,813
Total Net Assets	10,910,408	9,450,741
Total Liabilities and Net Assets	$ 26,394,172	$ 17,859,587

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY OF WASHINGTON, D.C. AND NORTHERN VIRGINIA, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2022)

	2023			(As restated) 2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and Support				
Sale of homes	$ --	$ --	$ --	$ 2,289,759
Mortgage discount	272,354	--	272,354	211,131
ReStore income	2,877,216	--	2,877,216	1,013,813
Home repair programs	34,830	--	34,830	199,160
Contributions	1,990,050	--	1,990,050	4,277,402
Grants	186,714	587,632	774,346	378,606
Special events, net	279,187	--	279,187	344,316
Contributed nonfinancial assets	255,700	--	255,700	1,295,442
Other income	98,645	--	98,645	52,315
Net assets released from restrictions:				
Satisfaction of program restrictions	502,951	(502,951)	--	--
Total Revenue and Support	6,497,647	84,681	6,582,328	10,061,944
Expenses				
Program Services:				
Construction	625,624	--	625,624	3,051,669
Non construction	2,723,237	--	2,723,237	1,613,196
Total Program Services	3,348,861	--	3,348,861	4,664,865
Supporting Services:				
Fundraising	721,047	--	721,047	335,646
General and administrative	1,052,753	--	1,052,753	956,733
Total Supporting Services	1,773,800	--	1,773,800	1,292,379
Total Expenses	5,122,661	--	5,122,661	5,957,244
Change in Net Assets from Operations	1,374,986	84,681	1,459,667	4,104,700
Loan forgiveness	--	--	--	213,777
Excess of liabilities assumed over assets acquired in acquisition of HFHNV	--	--	--	3,967,515
Change in Net Assets	1,374,986	84,681	1,459,667	8,285,992
Net Assets – Beginning, As Previously Reportec	8,090,928	264,813	8,355,741	1,164,749
Restatement	1,095,000	--	1,095,000	--
Net Assets – Beginning, As Restated	9,185,928	264,813	9,450,741	1,164,749
Net Assets – Ending	$ 10,560,914	$ 349,494	$ 10,910,408	$ 9,450,741

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY OF WASHINGTON, D.C.
AND NORTHERN VIRGINIA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2022)

	2023							
	Program Services			Supporting Services				
	Construction	Non Construction	Total	Fundraising	General and Administrative	Total	Total	2022 Total
Salaries and employee benefits	$ 247,553	$ 1,095,723	$ 1,343,276	$ 502,420	$ 407,819	$ 910,239	$ 2,253,515	$ 1,586,828
Office and warehouse rent	140,663	1,070,653	1,211,316	43,703	62,539	106,242	1,317,558	592,384
Professional fees	25,564	136,965	162,529	68,646	236,170	304,816	467,345	493,697
Office	34,258	143,407	177,665	56,167	66,221	122,388	300,053	172,555
Bad debt	--	--	--	--	157,019	157,019	157,019	27,500
Contract services	21,617	98,200	119,817	15,478	3,836	19,314	139,131	239,397
Interest	29,704	4,901	34,605	--	99,431	99,431	134,036	142,580
Insurance	25,965	42,601	68,566	12,654	2,839	15,493	84,059	61,022
Amortization of debt issuance costs	75,960	--	75,960	--	--	--	75,960	102,116
Depreciation and amortization	14,066	47,110	61,176	4,957	6,057	11,014	72,190	27,415
Tithe to HFHI and other affiliates	--	65,500	65,500	--	--	--	65,500	13,375
Travel and meetings	9,059	4,547	13,606	7,931	8,539	16,470	30,076	7,087
Dues, subscription, printing and publications	1,215	13,630	14,845	9,091	2,283	11,374	26,219	11,167
Cost of home sales – construction costs	--	--	--	--	--	--	--	2,480,121
Total Expenses	$ 625,624	$ 2,723,237	$ 3,348,861	$ 721,047	$ 1,052,753	$ 1,773,800	$ 5,122,661	$ 5,957,244

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY OF WASHINGTON, D.C. AND NORTHERN VIRGINIA, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2023 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2022)

	2023	(As restated) 2022
Cash Flows From Operating Activities		
Change in net assets	$ 1,459,667	$ 8,285,992
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Paycheck Protection Program loan forgiveness	--	(213,777)
Amortization of discount on mortgages receivable	(272,354)	(211,131)
Amortization of right-of-use asset	782,339	--
Depreciation and amortization	72,190	27,415
Equity in earnings of joint venture	75,960	(100,727)
Property and equipment contributed by HFHNV	--	(274,826)
Mortgage receivable contributed by HFHNV	--	(1,399,492)
Amortization of debt issuance costs	75,960	102,116
In-kind re-sale contributions- donated goods	(2,875,050)	(942,770)
In-kind re-sale distributions- donated goods	2,871,303	906,836
Contributed nonfinancial assets	--	(1,095,000)
Changes in assets and liabilities:		
Accounts receivable and other current assets	99,539	(315,818)
Accrued interest on mortgages receivable	(36,327)	(37,484)
Grants and pledges receivable	(320,366)	17,511
Mortgages receivable	551,327	676,563
Construction in progress	(3,529,246)	269,426
Accounts payable and accrued expenses	157,369	286,854
Deposits and escrows payable	14,894	(21,132)
Other current liabilities	(1,917)	13,972
Operating lease liability	(782,851)	--
Deferred rent	--	352,641
Total Adjustments	(3,117,230)	(1,958,823)
Net Cash Provided by (Used in) Operating Activities	(1,657,563)	6,327,169
Cash Flows From Investing Activities		
Purchases of investments	(1,153,995)	--
Purchases of property and equipment	(68,824)	(64,413)
Net Cash Used in Investing Activities	(1,222,819)	(64,413)
Cash Flows From Financing Activities		
Payments on line-of-credit	(375,000)	--
Proceeds from line-of-credit	--	(120,350)
Proceeds from issuance of notes payable	640,000	339,878
Principal payments on notes payable	(258,214)	(710,886)
Net Cash Provided by (Used in) Financing Activities	6,786	(491,358)
Net Increase (Decrease) in Cash and Cash Equivalents	(2,873,596)	5,771,398
Cash and Cash Equivalents – Beginning	7,295,006	1,523,608
Cash and Cash Equivalents – Ending	$ 4,421,410	$ 7,295,006

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY OF WASHINGTON, D.C. AND NORTHERN VIRGINIA, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2022)

	2023	(As restated) 2022
Reconciliation to Cash and Cash Equivalents		
As Presented on the Statement of Financial Position		
Cash and cash equivalents, unrestricted	$ 3,454,652	$ 4,759,759
Cash and cash equivalents, restricted	966,758	2,535,247
Total	$ 4,421,410	$ 7,295,006
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	$ 134,036	$ 142,580
Noncash financing activities		
Paycheck Protection Program loan forgiveness	$ --	$ 213,777

The accompanying notes are an integral part of these financial statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Habitat for Humanity of Washington, D.C., Inc. (HFH WDC) was incorporated in 1990 in the District of Columbia as a non-profit organization. Effective March 1, 2022, HFH WDC acquired Habitat for Humanity of Northern Virginia, Inc. to combine resources and serve more families in the Capital region. The legal name of the entity became Habitat for Humanity of Washington, D.C. and Northern Virginia, Inc. (Habitat DC-NOVA). Habitat DC-NOVA is committed to eliminating poverty housing and homelessness in the nation's capital by building affordable, energy and resource-efficient homes for people in need.

Habitat DC-NOVA sells all the homes it builds to eligible low to moderate income (LMI) households and may finance the home purchase by offering zero-interest mortgages or assist the prospective homebuyer families in obtaining conventional mortgage financing. Prospective homebuyers make a $500 down payment and contribute 300 hours of sweat equity towards the construction of their future home. Mortgage payments on Habitat DC-NOVA originated loans are reinvested to help finance further construction and the acquisition of additional properties and building materials. In essence, Habitat DC-NOVA is a developer, a construction company, a mortgage company, and a social service agency. Providing decent, affordable housing in the nation's capital requires several partners and generous funding from corporations, foundations, local government agencies, and individuals.

Habitat DC-NOVA is affiliated with, but is not controlled by, Habitat for Humanity International, Inc. (the international affiliate), which is headquartered in Americus, GA. The international affiliate conducts projects worldwide and is a resource center for local affiliates such as Habitat DC-NOVA. Habitat DC-NOVA pays an annual tithe to the international affiliate and a sustainability fee of $25,000.

INCOME TAXES

Habitat DC-NOVA is exempt from payment of income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC) and is classified as other than a private foundation within the meaning of Section 509(a)(1) of the IRC.

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared on the accrual basis of accounting. Revenue is recognized when earned and expense when incurred.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

Habitat DC-NOVA classifies all highly liquid investments with original maturities of less than 90 days as cash equivalents. Cash and cash equivalents include demand deposits and money market funds. Restricted cash includes a loan reserve established for payment of the servicing fee in compliance with the notes payable agreements.

ACCOUNTS RECEIVABLE

Accounts receivable primarily consist of 1) miscellaneous receivables such as refunds due from vendors; 2) ReStore sales receivable and 3) amounts due in relation to home sales. Habitat DC-NOVA's management periodically reviews the status of all balances for collectability. Management determines the allowance for doubtful accounts by reviewing all outstanding receivables for possible uncollectibility. Accounts are charged to the allowance account when deemed uncollectible. Accounts receivable balances were deemed to be collectible.

GRANTS AND PLEDGES RECEIVABLE

Grants and pledges receivable consist of unconditional promises to give to Habitat DC-NOVA. Unconditional promises to give are recorded at their present net realizable value. For those due in more than one-year, fair value is estimated by discounting estimated future cash flows at rates approximating the current rate for risk-free returns. Management determines the allowance for doubtful grants and pledges by reviewing all outstanding pledges for possible uncollectibility. Pledges are charged to the allowance account when deemed uncollectible.

DONATED INVENTORY

Donated inventory consists of ReStore (thrift store) inventory. ReStore inventory is carried at fair value and estimated using historical turnover in lieu of a physical count.

INVESTMENTS

Investments consist of certificates of deposit that have original maturities of greater than three months. The certificate of deposits are valued at principal plus accrued interest which approximates fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recognized as earned.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE MEASUREMENT

In accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, Habitat DC-NOVA has measured its applicable financial instruments at fair value on a recurring basis based on the required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument. The three levels of the fair value hierarchy are described as follows:

> Level 1 – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
>
> Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.
>
> Level 3 – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

As of March 31, 2023, Habitat DC-NOVA's investments, as described in Note 3 of the financial statements, were measured at fair value on a recurring basis.

PROPERTY AND EQUIPMENT AND RELATED DEPRECIATION AND AMORTIZATION

Acquisitions of property and equipment greater than $2,500 and with estimated useful life greater than one year and all expenditures for repairs, maintenance and betterments that materially prolong the useful lives of assets are capitalized. Donated property is valued at fair value at the date of the gift. Depreciation is calculated using the straight-line method over the following estimated useful lives of the assets: furniture and equipment – 3 to 5 years; software – 5 years; and vehicles – 3 to 7 years. Amortization of leasehold improvements is calculated using the straight-line method over the lesser of the remaining term of the office lease or the estimated useful life of the improvements.

IMPAIRMENT OF LONG-LIVED ASSETS

Habitat DC-NOVA reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. There were no impairment losses recognized for the year ended June 30, 2023.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RIGHT OF USE ASSET AND LEASE LIABILITY

At the inception of an agreement, DC-NOVA evaluates whether the agreement meets the criteria for a lease. The right of use asset and lease liability are recognized at the commencement date of the lease agreement based on the present value of lease payments over the lease term using a risk free rate of return that coincides with the date and term of the lease and is adjusted for lease incentives. The asset is amortized over the lease term and is reflected as rent expense in the accompanying financial statements. The lease liability is reduced as cash payments are made under the terms of the lease. Short-term operating leases, which have an initial term of 12 months or less, are not recorded on the statement of financial position. Instead, the lease payments of those leases are reported as rent expense on a straight-line basis over the lease term.

HOME SALES AND COST OF HOME SALES

When home sales occur, the revenue is recorded and the related previously capitalized construction in progress is recognized as cost of home sales expense in the year of the sale. In general, home sales revenue is lower than cost of home sales expense and, therefore, Habitat DC-NOVA subsidizes this difference through grants and contributions. Home sales revenue also includes the proceeds from the sale of homes if a home buyer has a mortgage with Habitat DC-NOVA. Cost of home sales consists mostly of capitalized home construction costs, including certain costs related to the sale of homes.

REVENUE RECOGNITION

Unconditional contributions and grants are recognized when promised to or received by Habitat DC-NOVA. Unconditional contributions and grants are recorded as with or without donor restrictions depending upon the existence and/or nature of any donor restrictions. Specifically, unconditional gifts of cash for the acquisition of long-lived assets are recorded as with donor restrictions and unconditional promises to give are recorded as with donor restrictions due to implied time restrictions. Within net assets with donor restrictions, amounts are reclassified to net assets without donor restrictions when the time restrictions expire or when the purpose restrictions are met.

Habitat DC-NOVA also receives revenue from conditional grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Habitat DC-NOVA has met the specified conditions. Amounts recognized under the agreements but not received are included in grants and pledges receivables in the accompanying statement of financial position.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NONFINANCIAL CONTRIBUTIONS

Nonfinancial contributions (gifts-in-kind) are recognized as both support and revenue and expenses in the accompanying statement of activities at the estimated fair value at the date of donation. Donated services are recognized if the services received create or enhance nonfinancial assets, or if the services require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

CLASSIFICATION OF NET ASSETS

Habitat DC-NOVA's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for any purpose in performing the primary objectives of Habitat DC-NOVA at the discretion of Habitat DC-NOVA's management and the Board of Directors.
- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for a specific period of time. These donor restrictions can be temporary in nature in that they will be met by actions of Habitat DC-NOVA or by the passage of time.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Expenses directly attributed to a specific functional area of Habitat DC-NOVA are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas, such as salaries and employee benefits, rent and depreciation and amortization, have been allocated among the various functional areas based on direct salaries and other equitable basis determined by management.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from estimates.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The standard applies a right-of-use model that requires all leases with a lease term of more than 12 months, to recognize an asset representing its right to use the underlying asset for the lease term and a liability based on the value of the discounted future lease payments. Habitat DC-NOVA adopted this standard on July 1, 2022 and elected not to restate the comparative period. Habitat DC-NOVA also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, (iii) initial direct costs for existing leases. The adoption of ASU 2016-02 resulted in the recognition of right-of-use asset of $7,604,677 and operating lease liabilities of $7,954,881 as of July 1, 2022. Results for periods beginning prior to July 1, 2022 continue to be reported in accordance with the historical accounting treatment. The adoption of ASU 2016-02 did not have a material impact on Habitat DC-NOVA's operations and cash flows.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at June 30, 2023:

Cash – undesignated	$ 3,454,652
Cash – restricted for New Market Tax Credit (NMTC) programs	704,638
Certificates of deposit – required balance of line of credit	262,120
Total Cash and Cash Equivalents	$ 4,421,410

NOTE 3– INVESTMENTS AND FAIR VALUE MEASUREMENT

The following table summarizes Habitat DC-NOVA's fair value hierarchy for financial assets that were measured at fair value on a recurring basis as of June 30, 2023:

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments:				
Certificates of deposit	$ 1,153,995	$ --	$ 1,153,995	$ --

The fair value of Habitat DC-NOVA's certificates of deposit was determined using contractual cash flows and current interest rates for certificates of deposit with similar remaining time to maturity.

NOTE 4 – RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

As described in Note 1, effective July 1, 2022, Habitat DC-NOVA adopted ASC 842, *Leases*, which requires lessees to recognize operating leases on the statement of financial position. Habitat DC-NOVA evaluated current contracts to determine which met the criteria of a lease. Habitat DC-NOVA leases property and office space under noncancelable operating leases, which are scheduled to expire on various dates through March 2035.

The ROU assets represent Habitat DC-NOVA's right to use underlying assets for the lease term, and the lease liabilities represent the Habitat DC-NOVA's obligation to make lease payments arising from the leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. Habitat DC-NOVA has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. As of June 30, 2023, right-of-use assets, net of accumulated amortization of $782,339, totaled $6,822,338, and the operating lease liabilities totaled $7,174,467. Cash paid for amounts included in the measurement of lease liabilities totaled $745,972 for the year ended June 30, 2023.

NOTE 4 – RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The weighted average lease term and discount rate as of June 30, 2023 were as follows:

Weighted average remaining lease term	9.9 years
Weighted average discount rate	2.87%

The maturities of operating lease liabilities as of June 30, 2023 were as follows:

For the Year Ending December 31,	
2024	$ 1,012,973
2025	969,985
2026	873,418
2027	794,462
2028	800,933
Thereafter	3,789,590
Total Lease Liability Before Discount	8,241,361
Less: Present Value Discount	(1,066,894)
Lease Liability	$ 7,174,467

NOTE 5 – MORTGAGES RECEIVABLE

Mortgages receivable consists of non-interest bearing promissory notes ranging in amounts from $5,000 to $317,000. Habitat DC-NOVA outsources the administration, servicing and collection of its mortgage receivables to a third-party service organization. Monthly mortgage payments range from $42 to $903, and maturities range from 2023 to 2069. The discount on mortgages receivable is determined using imputed interest rates (discount rates range from 6% to 9%). Amortization of the discount totaled $272,354 for the year ended June 30, 2023. Management believes that the mortgages receivable are fully collectible.

Net mortgages receivable consisted of the following at June 30, 2023:

Mortgages receivable, current	$ 373,934
Mortgages receivable, non-current	4,629,021
Mortgages receivable	5,002,955
Less: Allowance for uncollectible mortgages	(51,454)
Less: Unamortized discount to net present value	(1,606,368)
Net Present Value of Mortgage Receivable	**$ 3,345,133**

NOTE 5 – MORTGAGES RECEIVABLE (CONTINUED)

In previous years, Habitat DC-NOVA entered into an agreement in which it used non-interest-bearing mortgage receivable as security to obtain an operating loan. The details of this loan is shown in Note 8. The mortgage receivable used as security remains as assets in the statement of financial position with a corresponding liability in the form of secured obligations. The terms and payment schedules of the secured obligations are coincident with those of the underlying mortgage receivable. At June 30, 2023, the book value of these secured obligations, was $633,284.

Collections of payments on mortgages receivable are expected to be as follows:

For the Year Ending June 30,	
2024	$ 373,934
2025	353,340
2026	348,852
2027	341,354
2028	330,592
Thereafter	3,255,266
	$ 5,002,955

NOTE 6 – CONSTRUCTION IN PROGRESS AND PROPERTY AND EQUIPMENT

CONSTRUCTION IN PROGRESS

Costs associated with the acquisition, development and construction of a project are capitalized. Such costs may include (1) pre-acquisition costs such as land acquisition or improvement; (2) infrastructure development or construction costs such as equipment rental, construction materials, or subcontractors; and (3) other costs such as interest, insurance, or construction benefits. While construction projects may span several years, most of the individual units included in a project within construction in progress are expected to be completed and sold in future years.

NOTE 6 – CONSTRUCTION IN PROGRESS AND PROPERTY AND EQUIPMENT (CONTINUED)

Construction in progress consisted of the following at June 30, 2023:

55th Place	$ 1,603,928
Groveton	1,561,067
Skyland Terrace	3,020,830
Fairfax Presbyterian Church	708,601
Reeves Farmhouse	107,839
Constitution Ave	971,494
Others	241,676
	$ 8,215,435

PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2023:

Leasehold improvements	$ 411,633
Furniture and equipment	264,003
Software	171,604
Vehicles	77,589
Total Property and Equipment	924,829
Less: Accumulated Depreciation and Amortization	(600,084)
Property and Equipment, Net	$ 324,745

Depreciation and amortization expense was $72,190 for the year ended June 30, 2023.

NOTE 7 – INVESTMENT IN JOINT VENTURE

Habitat DC-NOVA participates in New Markets Tax Credit (NMTC) programs. NMTC programs were originally established as part of the Community Renewal Tax Relief Act of 2000 and the law covering NMTC programs was most recently extended until December 2019. The goal of NMTC programs is to spur revitalization efforts of low-income and impoverished communities across the United States and its Territories by providing tax credit incentives to investors in certified community development entities. The tax credit for investors equals 39% of the investment, and investors receive the tax credit over a seven-year period. A community development entity (CDE) is required to participate and has the primary mission of providing financing for revitalization projects in low-income communities. NMTC financing allows organizations to receive low-interest loans or investment capital from CDEs, primarily financial institutions, which will allow their investors to receive tax credits. As a result of participation in NMTC programs, Habitat DC-NOVA obtained the low-interest loans described in Note 8.

MANNITAT LEVERAGE LENDER, LLC (MANNITAT)

During the year ended June 30, 2017, Habitat DC-NOVA and Manna, Inc. formed Mannitat Leverage Lender, LLC (Mannitat). As part of the agreement, Habitat DC-NOVA contributed cash of $500 such that Habitat DC-NOVA owns 50% of Mannitat. Because Habitat DC-NOVA does not have effective control over Mannitat, management determined that consolidated financial statements including both Habitat DC-NOVA and Mannitat are not required to be presented, which is in accordance with GAAP. Habitat DC-NOVA recorded its investment in Mannitat using the equity method. Investment in joint venture amounted to 343,563 as of June 30, 2023.

NOTE 8 – NOTE RECEIVABLE

In conjunction with the New Markets Tax Credits (NMTC) loans described in Note 8, Habitat DC-NOVA provided cash of $593,000 to Mannitat in return for a promissory note in the same amount. The promissory note matures in June 2025 when the balance will be payable in full. The note receivable accrues interest at an annual rate of 6.13%. In accordance with the terms of the promissory note, no principal payments are due until maturity and only monthly interest payments of $3,027 have been accrued. As a result, accrued interest on the note receivable totaled $252,420 at June 30, 2023.

NOTE 9 – NOTES PAYABLE

Habitat DC-NOVA has financed the acquisition or construction of various housing properties through several notes payable from various lenders such as financial institutions, the international affiliate, and local government.

NEW MARKETS TAX CREDITS (NMTC) LOANS

Habitat DC-NOVA had four NMTC loans totaling $6,000,000 from Jubilee Manna Sub-CDE I, LLC, which is a certified community development entity. The loan proceeds were to be used solely for the purpose of constructing and selling qualified housing properties to low income residents. In accordance with the original terms of the loans, monthly payments of principal and interest were required for the first seven years. During the year ended June 30, 2018, Habitat DC-NOVA paid the outstanding balance due on two of the four NMTC loans (Note A and Note B). In addition, Habitat DC-NOVA amended the terms of the remaining two loans (Note C and Note D). For Note C, payments of interest only are required until June 15, 2025 and for Note D, payments of interest only are required until August 15, 2023. Interest on the loans accrues at an annual rate of 5.13%. Habitat DC-NOVA was in compliance with the financial loan covenants of the NMTC loans.

The following table summarizes the maturity dates and outstanding balances due at June 30, 2023 for the two NMTC loans in accordance with the terms of the loans:

Note C (June 30, 2025)	$ 2,648,350
Note D (July 13, 2046)	1,260,924
	$ 3,909,274

Debt issuance costs, net of accumulated amortization, totaled $22,767 at June 30, 2023, and have been presented as a reduction of notes payable.

PENTAGON FEDERAL CREDIT UNION (PEN FED)

Habitat DC-NOVA has an acquisition loan from Pen Fed with a maximum draw of $1,302,720 which is secured by the related acquired properties. The loan was used for the acquisition of properties. Advances under the acquisition loan accrue interest at a variable rate equal to the Wall Street Journal prime rate plus 1% and monthly interest only payments are required until September 2025, the maturity date of the loan. The interest rate at June 30, 2023 was 4.25%. The outstanding balance due on the Pen Fed loan was $880,100 at June 30, 2023.

NOTE 9 – NOTES PAYABLE (CONTINUED)

DOUGLASS COMMUNITY LAND TRUST

Habitat DC-NOVA has a forgivable loan from The Douglass Community Land Trust in the amount of $640,000. The loan was used to finance the construction of homes for families in Washington, D.C. As homes sales occur, portions of the loan will be forgiven through a prorated assumption of the loan by the buyers of the completed homes. Home buyers will assume portions of the loan in accordance with the terms of their home sale. No home sales related to the loan took place during the year ended Jun 30, 2023

INTERNATIONAL AFFILIATE

Habitat DC-NOVA had two loans from the international affiliate (one loan accrued interest at an annual rate of 4.75% and the other loan was a zero-interest loan). The maturity dates of the two loans were December 31, 2024 and September 30, 2025, respectively and both of the loans were secured by mortgages receivable. On June 8, 2018, the loans were refinanced, and Habitat DC-NOVA obtained a new loan totaling $1,054,861 which matures June 8, 2028. In accordance with the terms of the refinanced loan, interest accrues at 4.75% for the first 5 years and then 4.5% for the remaining 5 years. In accordance with the terms of the refinanced loan, Habitat DC-NOVA is required to prepay at least $300,000 of the principal balance due on the note within 24 months of closing, unless the international affiliate agrees to release Habitat DC-NOVA from the pre-payment requirement. In September 2020, the loan was amended to remove this requirement. In addition to this amendment, in July 2020, the payment schedule was amended, resulting in Habitat DC-NOVA receiving a refund of $22,937, which will be due at a later date. Habitat DC-NOVA was in compliance with the international affiliate loan financial covenants at June 30, 2023. The outstanding balance due on the international affiliate loans was $633,284 at June 30, 2023.

ECONOMIC INJURY DISASTER LOAN – HFHNV

On May 21, 2020, Habitat DC-NOVA entered into an Economic Injury Disaster Loan (EIDL) with the SBA in the amount of $150,000 for financial liquidity purposes after the onset of COVID-19. The loan matures in May 2050, with a fixed interest rate of 2.75% per annum. Consecutive monthly payments of principal and interest will commence in July 2022. The outstanding balance due on the EIDL loan was $150,000 at June 30, 2023.

NOTE 9 – NOTES PAYABLE (CONTINUED)

ECONOMIC INJURY DISASTER LOAN – HFH WDC

In June 2020, Habitat DC-NOVA entered into a SBA loan with its financial institution under the Economic Injury Disaster Loan program funding for the amount of $150,000, which came with a $10,000 grant. The balance of principal and interest will be payable for thirty (30) years from the date of the Promissory Note with a fixed interest rate of 2.75% per annum. Installment payments, including principal and interest will begin twelve (12) months from the date of the Promissory Note. The outstanding balance due on the loan was $146,504 at June 30, 2023.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY LOANS

Habitat DC-NOVA entered into two notes payable with Virginia Housing Development Authority (VHDA) in November 2008 and December 2012, respectively. The notes are payable over 180 months in equal installments including interest at 3%. The notes are to be repaid fully in December 2027. The outstanding balance due on the VHDA loans was $118,858 at June 30, 2023.

Notes payable, grouped by lender, consisted of the following at June 30, 2023:

New Markets Tax Credits (NMTC) loans	$ 3,909,274
Pentagon Federal Credit Union	880,100
Douglass Community Land Trust	640,000
International Affiliate	633,284
Economic Injury Disaster loan – HFHNV	150,000
Economic Injury Disaster loan – HFH WDC	146,504
Virginia Housing Development Authority loans	118,858
Total	$ 6,478,020

NOTE 9 – NOTES PAYABLE (CONTINUED)

Future maturities of notes payable are as follows:

Year Ending June 30,	
2024	$ 673,805
2025	5,511,417
2026	6,299
2027	7,596
2028	7,808
Thereafter	271,095
	$ 6,478,020

NOTE 10 – LINE-OF-CREDIT

Habitat DC-NOVA has a $1,500,000 line-of-credit available from Sandy Spring Bank. Under the line-of-credit, Habitat DC-NOVA is required to maintain a $250,000 certificate of deposit as partial collateral for the outstanding balance. As described in the terms of the line-of-credit agreement, certain other assets of Habitat DC-NOVA have also been identified as collateral. As of June 30, 2023, the interest rate was 9%. Payments on the line-of-credit totaled $375,00 during the year ended June 30, 2023. The balance due on the line-of-credit was $1,015,350 at June 30, 2023. In January 2024, Habitat DC-NOVA signed a modification to the loan agreement to extend the maturity date to January 31, 2025, and to add a provision that the interest rate will not be less than 6.5%.

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2023, Habitat DC-NOVA's net assets with donor restrictions were restricted for specific purposes or time periods as follows:

Subject to expenditure for specified purpose:	
Development Projects	$ 207,747
Build Days	48,337
Vans and Related Repairs	35,000
Home Repair	58,410
Total Net Assets With Donor Restrictions	$ 349,494

NOTE 12 – CONTRIBUTED NONFINANCIAL ASSETS

RECORDED AMOUNTS

Donated services are recognized as contributions and expense in accordance with generally accepted accounting principles, if the services (a) create or enhance non-financial assets; or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Habitat DC-NOVA. Donated services consisted of legal services of $255,700 for the year ended June 30, 2023. There were no donor-imposed restrictions associated with the contributed services. Donated professional services are recorded at the estimated fair value, with corresponding expense recorded in general and administrative in the accompanying statement of activities. The estimated fair value is valued based on rates for similar services.

Habitat DC-NOVA receives support in the form of in-kind donations of building materials and household items. It operates ReStores in three locations in order to liquidate these items. These contributions are valued at the amount of cash received for the items less all costs associated with their sale. The in-kind contributions are recorded as revenue once their fair market values can be determined (i.e. when the items are sold). There were no donor-imposed restrictions associated with the donated goods and services.

UNRECORDED AMOUNTS

Habitat DC-NOVA relies on contributions of both time and expertise from its pool of volunteers who donate thousands of hours of service, the total value of which cannot be easily calculated or estimated, yet these volunteers contribute significantly to the work, impact, and success of Habitat DC-NOVA. These volunteer services have not been reflected in the accompanying financial statements because the volunteer services provided do not meet the criteria necessary for recognition under generally accepted accounting principles.

NOTE 13 – RETIREMENT PLAN

Habitat DC-NOVA sponsors a defined contribution 401(k) plan for participants who meet age and length of service requirements. The Plan allows for elective deferrals which may be limited by the Internal Revenue Code. Habitat DC-NOVA contributes a matching amount to the Plan which is equal to participant salary deferrals. Habitat DC-NOVA's contributions to the Plan totaled $79,696 for the year ended June 30, 2023.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

CONCENTRATION OF CREDIT RISK

Habitat DC-NOVA maintains its cash and cash equivalents with certain commercial financial institutions, which aggregate balances may exceed, at times, the Federal Deposit Insurance Corporation (FDIC) insured limit of $250,000 per depositor per institution. As of June 30, 2023, Habitat DC-NOVA had approximately $5,662,000 of demand deposits, which exceeded the maximum limit insured by the FDIC by approximately $4,406,000. Habitat DC-NOVA monitors the creditworthiness of these institutions and has not experienced any historical credit losses on its cash and cash equivalents.

CONSTRUCTION CONTRACTS

Habitat DC-NOVA has committed to several construction contracts relating to various home building projects. The estimated combined total commitment under the construction contracts totaled $1,522,317. In relation to these construction contracts, Habitat DC-NOVA has already paid and, therefore, had recorded construction in progress totaling $882,921 at June 30, 2023. Therefore, the remaining unpaid commitment on the construction contracts was $639,395 at June 30, 2023.

NOTE 15 – AVAILABILITY OF RESOURCES AND LIQUIDITY

Habitat DC-NOVA regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. Habitat DC-NOVA's financial assets available within one year of the statement of financial position date for general expenditures at June 30, 2023, were as follows:

Cash and cash equivalents – unrestricted	$ 3,454,652
Accounts receivable	118,018
Grants and pledges receivable	495,474
Investments	1,153,995
Mortgages receivable, current portion	373,934
Total Financial Assets Available Within One Year	5,596,073
Less: Amounts unavailable for general expenditures within one year due to donors' restrictions	(349,494)
Financial Assets Available to Meet General Expenditures Within One Year	**$ 5,246,579**

NOTE 16 – AVAILABILITY OF RESOURCES AND LIQUIDITY (CONTINUED)

Habitat DC-NOVA has various sources of liquidity at its disposal, including cash and cash equivalents, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of Habitat DC-NOVA throughout the year. This is done through monitoring and reviewing Habitat DC-NOVA's cash flow needs on a weekly basis. As a result, management is aware of the cyclical nature of Habitat DC-NOVA's cash flow related to Habitat DC-NOVA's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. To help manage unanticipated liquidity needs, Habitat DC-NOVA has a committed line of credit of $1,500,000, of which approximately $485,000 was unused and available to draw upon as of June 30, 2023. Habitat DC-NOVA's used line of credit is secured by Habitat DC-NOVA's certificates of deposit and property.

NOTE 17 – INCOME TAXES

Under Section 501(c)(3) of the IRC, Habitat DC-NOVA is exempt from the payment of taxes on income other than net unrelated business income. Habitat DC-NOVA reviews and assesses all activities annually to identify any changes in the scope of the activities and revenue sources and the tax treatment thereof to identify any uncertainty in income taxes. For the year ended June 30, 2023, no provision for income taxes was made, as Habitat DC-NOVA had no net unrelated business income and did not identify any uncertainty in income taxes requiring recognition or disclosure in these financial statements. Habitat DC-NOVA's tax returns are subject to possible examination by the taxing authorities. For federal purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns. There are currently no examinations pending or in progress regarding Habitat DC-NOVA's tax returns. It is Habitat DC-NOVA's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense.

NOTE 18 – PRIOR PERIOD ADJUSTMENT

Habitat DC-NOVA restated its beginning unrestricted net asset balances to properly recognize two donated properties received during the year ended June 30, 2022 that were not previously recorded. The error resulted in an understatement of contributed nonfinancial assets and construction in progress in the previously issued financial statements for the year ended June 30, 2022.

NOTE 18 – PRIOR PERIOD ADJUSTMENT (CONTINUED)

The following table presents the impact of the correction on the previously reported amounts as of and for the year ended June 30, 2022.

	As Previously Reported	Restatement	As Restated
Contributed nonfinancial assets	$ 200,442	$ 1,095,000	$ 1,295,442
Construction in progress	3,591,189	1,095,000	4,686,189
Net assets without donor restrictions	8,090,928	1,095,000	9,185,928

NOTE 19 – PRIOR YEAR SUMMARIZED FINANCIAL INFORMATION

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with Habitat DC-NOVA's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

NOTE 20 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 26, 2024, which is the date the financial statements were available to be issued.

In October 2023, Habitat DC-NOVA entered into a revolving line of credit agreement with a financial institution for $1,000,000. The loan matures on June 1, 2024 and secured by the certificate of deposit account held at the financial institution, as well as other assets of Habitat DC-NOVA. The line of credit has an interest rate of 6.5%.

Except as discussed above and the modification to the line of credit agreement in Note 10, there were no other subsequent events that require recognition or disclosure in the financial statements.